

**PRESS RELEASE**  
**REDISHRED CAPITAL CORP. TSXV: KUT**  
Mississauga, Ontario  
May 26, 2020

**REDISHRED CAPITAL CORP. (“REDISHRED”) ANNOUNCES Q1 2020 RESULTS HIGHLIGHTING 27% REVENUE GROWTH**

**Quarterly Earnings Call:**

8:45am EST, May 28, 2020, Participant call in number is 1-800-319-4610

**First Quarter Highlights:**

*Consolidated Highlights:*

- The Company generated revenue of \$6.6 million *CAD* during Q1-2020, growing 27% over Q1-2019.
- Consolidated EBITDA for Q1-2020 was \$1.4 million *CAD*, declining 16% over Q1-2019.
- The decline in commodity paper prices of 62% in Q1-2020 versus Q1-2019 accounted for the decline in consolidated EBITDA and operating income. The impact of lower commodity paper prices was \$832,000 *CAD* in Q1-2020 versus Q1-2019.

*Corporate Locations Highlights:*

- Corporate location revenue in Q1-2020 grew 33% over Q1-2019 to \$6 million *CAD*.
- Corporate location EBITDA in Q1-2020 grew 4% over Q1-2019 to \$1.8 million *CAD*.
- Same corporate location EBITDA in Q1-2020 declined by 32% over Q1-2019 to \$1.2 million *CAD*. Declining paper prices impacted EBITDA by \$524,000 *CAD*.
- The COVID-19 pandemic negatively impacted the corporate location revenue and EBITDA in the 2<sup>nd</sup> half of March 2020.
- Same corporate location operating income in Q1-2020 declined by 47% over Q1-2019, driven by the reduction in paper prices and the impact of the COVID-19 pandemic.

*Acquisitions*

- The Company completed the acquisition of the Proshred Connecticut business on March 1, 2020 for \$6.5 million *CAD*.

*Capital Management:*

- On March 31, 2020, the Company advanced \$2.7 million *CAD* on its non-revolving term loan facility for the acquisition of the Proshred Connecticut business. The loan bears interest at 2.99% and has an amortization period of 84 months.

## Management’s Comments on Q1 2020

Jeffrey Hasham, the Company’s Chief Executive Officer, noted “The Company’s first quarter of 2020 was on track to be one of our best operational quarters on record, with strong growth in shredding sales, improved route density and operating margins in existing locations, plus the acquisition of Proshred Connecticut on March 1, 2020. The investments made in the last half of 2019 to drive recurring shredding revenue and to drive stronger route density were gaining momentum, partially offsetting the significant drops in paper prices versus early 2019.

Unfortunately, the COVID19 Pandemic has caused the momentum to be placed on hold, as many of our clients have temporarily closed their facilities. Fortunately, many of our clients are essential services like us and we do continue to provide services to them in a safe and careful manner. The impact to our corporate revenues and system sales was first seen in March of 2020, and this had a negative impact on the Company’s first quarter results. The impact to the 2<sup>nd</sup> quarter of 2020 will be significant, as revenues for the month of April 2020 were down an estimated 40% year over year. Fortunately, the paper markets have recovered significantly, by \$80 to \$100 per tonne in the last 60 days, which will partially offset the loss in shredding revenue.”

Mr. Hasham further noted that “During the pandemic, the entire Redishred team has made sacrifices for the Company - they have taken pay reductions, they have taken less hours, and they have provided safe client service to our valued customers. I would like to take this moment to thank all of our employees, franchisees, management and board members for their unwavering support and contributions during these times.”

### Financial Highlights:

<b>For the three months ended March 31,</b>	<b>2020</b>	2019	<i>% change</i>
<b>System Sales Performance – in USD, in \$000’s</b>			
Total locations in the United States	<b>30</b>	30	0%
Total system sales	<b>\$10,989</b>	\$11,226	(2)%
<i>Percentage scheduled sales</i>	<b>54%</b>	47%	
Total system sales – same location	<b>\$10,910</b>	\$11,226	(3)%
<i>Percentage scheduled sales</i>	<b>54%</b>	47%	
<b>Consolidated Operating Performance – in CAD, in \$000’s</b>			
Revenue	<b>\$6,594</b>	\$5,203	27%
EBITDA	<b>\$1,359</b>	\$1,620	(16)%
<i>EBITDA margin</i>	<b>21%</b>	31%	(10)%
Operating income	<b>\$515</b>	\$1,032	(50)%
<i>Operating income margin</i>	<b>8%</b>	20%	(12)%
Operating income per weighted average share fully diluted	<b>\$0.006</b>	\$0.015	(60)%
<b>Corporate Location Performance – in CAD, in \$000’s</b>			
Revenue	<b>\$6,003</b>	\$4,507	33%
EBITDA	<b>\$1,783</b>	\$1,723	4%
<i>EBITDA margin</i>	<b>30%</b>	38%	(8)%
Operating income	<b>\$963</b>	\$1,212	(21)%
<i>Operating income margin</i>	<b>16%</b>	27%	(11)%

## Capital Management

As at March 31 and December 31,	2020	2019	% change
<b>In CAD, In \$000's</b>			
Working capital	<b>\$938</b>	\$4,432	(79)%
Debt to total assets ratio	<b>0.45</b>	0.44	(2)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	<b>1.86</b>	2.39	(22)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	<b>3.50</b>	2.94	(19)%

### Shredding System Sales Growth despite declining Paper Prices

Shredding system sales grew by 12% during Q1-2020 over Q1-2019 with scheduled sales growth of 13% during the same period. The Company continued to focus on providing recurring scheduled service to small and medium sized enterprise clients and continued to invest in marketing initiatives designed to capture one-time unscheduled sales. The decline in commodity paper prices resulted in a decline in total system sales of 2% in Q1-2020 versus Q1-2019. The average paper price in the Proshred system declined by 62% in Q1-2020 over Q1-2019 as the price dropped from \$176 per ton to \$67 per ton.

During Q1-2020 Redishred's system sales growth over Q1-2019 was as follows:

<b>Total System Sales declined by 2% (Same Location declined by 3%)</b>	
<u>By Service Type:</u>	<u>By Location Type:</u>
Scheduled sales increased by 13% (Same Location increased by 13%)	Franchise location total system sales increased by 1% (Same Location increased by 1%)
Unscheduled sales increased by 11% (Same Location increased by 9%)	Corporate location sales increased by 33% (Same Location declined by 9%)
Recycling sales decreased by 59% (Same Location declined by 59%)	

## Franchise Operations

The Company's roots are founded in franchising and at March 31, 2020, the Company supported 19 franchisees across the United States. The franchise system continued to perform well with the following high-level sales results:

In USD, In \$000's	For the 3 months ended March 31		
	2020	2019	% Change
Total same locations	<b>19</b>	19	0%
Total same location system sales	<b>\$6,456</b>	\$6,401	1%
Total same location scheduled service sales	<b>\$3,630</b>	\$3,050	19%
Total same location unscheduled service sales	<b>\$2,256</b>	\$2,043	10%
Total same location recycling sales	<b>\$570</b>	\$1,308	(56)%

## Corporate Operations

As of March 31, 2020, the Company operates eleven locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey, Kansas, Chicago and Connecticut.

As a result of the acquisitions conducted over the last 12 months, total corporate location revenues in USD grew by 51% for the three months ended March 31, 2020, as compared to the same period of 2019.

Corporate location EBITDA growth was impacted by the decline in paper prices of 62% in Q1-2020 over Q1-2019 which led to a decline of USD\$392,000 in same location recycling revenue. Acquired recycling revenue saw a decline of USD\$238,000 in comparison to Q1-2019 paper price levels. Combined, total recycling revenue was negatively impacted by USD\$630,000 versus Q1-2019.

Due to the ‘Shelter at Home’ orders placed in US states in response to COVID-19, the corporate locations shredding revenue declined in the second half of March. Despite the impact of paper prices and COVID-19, EBITDA grew by 4% for the three months ended March 31, 2020 over the prior comparative period.

In CAD, In \$000's For the three months ended March 31,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2020	2019	% Change	2020	2019	% Change	2020	2019
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	5,471	3,644	50%	3,764	3,644	3%	1,707	-
Recycling sales	532	863	(38)%	339	863	(61)%	193	-
Total sales	6,003	4,507	33%	4,103	4,507	(9)%	1,900	-
Operating costs	4,221	2,794	(51)%	2,940	2,794	5%	1,281	-
EBITDA	1,782	1,713	4%	1,163	1,713	(32)%	619	-
% of revenue	30%	38%	(8)%	28%	38%	(10)%	33%	-
Depreciation – tangible assets	820	548	(50)%	550	548	0%	270	-
Operating income	962	1,165	(17)%	613	1,165	(47)%	349	-
% of revenue	16%	26%	(10)%	15%	26%	(11)%	18%	-
Operating income less recycling	430	302	43%	275	302	(9)%	156	-
% of revenue	8%	9%	(1)%	7%	9%	(2)%	9%	-

## Corporate Locations Trend:

In \$000's	2020		2019			2018			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (\$)	6,003	5,734	4,662	4,833	4,507	3,608	2,978	2,924	2,506
Quarter over quarter % change	5%	23%	(4)%	7%	25%	21%	2%	17%	10%
EBITDA (\$)	1,782	1,376	1,432	1,704	1,723	1,170	1,038	1,179	1,023
Quarter over quarter % change	30%	(4)%	(16)%	(1)%	47%	12%	(12)%	15%	33%

## Community and Social Commitment

Our locations under the **PROSHRED**<sup>®</sup> banner conduct many community shredding events. These events provide an opportunity for our clients, clients' employees, local businesses and local residents to ensure their personal and confidential materials are securely destroyed. In addition to helping to reduce identity theft, several of these events allow for donations to various not-for-profit organizations. **PROSHRED**<sup>®</sup> is also proud that 100% of the shredded material is recycled, as our continued goal is to foster the use of fewer trees in the production of all paper products. Future community shredding event locations can be found at our website, [www.proshred.com](http://www.proshred.com). Our annual national Shred Cancer event typically held in early June will be postponed until the fall of 2020. These events are held to raise research funds for the American Institute for Cancer Research ("AICR"). It is our goal as a Company and Franchise System to support AICR in their endeavor to prevent cancer and possibly cure this disease. So far, **PROSHRED**<sup>®</sup> has raised in excess of USD\$150,000 for this cause. Please visit [www.proshred.com/aicr](http://www.proshred.com/aicr) for more information on this effort.

## Financial Statements

Redishred's March 31, 2020 Financial Statements, Notes and Management's Discussion and Analysis will be available at [www.sedar.com](http://www.sedar.com) and [www.redishred.com](http://www.redishred.com).

## About Redishred

Redishred Capital Corp. is the owner of the **PROSHRED**<sup>®</sup> trademarks and intellectual property in the United States. **PROSHRED**<sup>®</sup> shreds and recycles confidential documents and proprietary materials for thousands of customers in the United States in all industry sectors. **PROSHRED**<sup>®</sup> is a pioneer in the mobile document destruction and recycling industry and has the ISO 9001:2015 certification. It is **PROSHRED**<sup>®</sup>'s vision to be the 'system of choice' and provide shredding and recycling services on a global basis. Redishred Capital Corp. grants **PROSHRED**<sup>®</sup> franchise businesses in the United States and by way of license arrangement in the Middle East. Redishred Capital Corp. also operates eleven corporate shredding businesses directly. The Company's plan is to grow its business by way of both franchising and the acquisition and operation of document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling and concurrent unscheduled shredding service.

## FOR FURTHER INFORMATION PLEASE CONTACT:

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